

FY17 Appropriation Request Presented to the Legislative Finance Committee

October 30, 2015
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Program Improvements / Agency Leadership

Continued Implementation of 5-year Strategic Plan

- Phasing out “family coverage” subsidies for retirees w/multiple dependent children (2013 – Present)
- Increased cost sharing on prescription drug coverage (2013)
- Increased cost sharing of pre-Medicare plans (2010 and 2013)
- Implemented graduated minimum age requirement (January 1, 2020)
- Increase years of service required to receive maximum subsidy (January 1, 2020)
- Reduce pre-Medicare retiree subsidies (2016)
- Reduce pre-Medicare spousal subsidies (2015 and 2016)
- Implement enhanced wellness program (2016)
- **Increase employee/employer contribution levels (requires Legislative and Executive approval)**

Other significant action

- Conversion of \$6,000 Basic Life to retiree-paid supplemental life
- Plan designs to be modified to keep plan value under threshold for “Cadillac Tax” in 2018 and thereafter

Results

Fiscal Year	2010	2011	2012	2013	2014	2015
Average Deductible	\$ 486	\$ 538	\$ 568	\$ 596	\$ 623	\$ 649
Average Monthly Premium	\$ 133	\$ 139	\$ 144	\$ 148	\$ 155	\$ 161
Solvency Period	2025	2026	2029	2029	2033	2035

Board Action/ FY17 Request Preview

Board Action for 2015

- Retiree rate increases
 - Pre-Medicare Plans – 8 percent
 - Medicare Supplement – 5 percent
- Reduced pre-Medicare spousal subsidy by 2 percent (40 percent to 38 percent)
- Minimum Age 55*
- Years of Service (20 years -25 years)*
- Conversion of Basic Life Insurance Policy

*January 1, 2020/Except PERA Enhanced Plans

Board Action for 2016

- Retiree rate increases
 - Pre-Medicare Plans – 8 percent
 - Medicare Supplement – 6 percent
- Reduced pre-Medicare retiree subsidy from 65 percent to 64 percent
- Reduced pre-Medicare spousal subsidy from 38 percent to 36 percent
- Reduced multiple dependent subsidy from 25 percent to 12.5 percent
- Timeline for Basic Life Conversion beginning 2018
- Enhanced Wellness Program

FY13 - FY15 Actuals, FY16 Operating & FY17 Projected



Health Care Benefits Administration

Health Benefit Fund Expenditure Summary						
		FY15	FY16	FY17	FY17 Final	Percent
	Contractual Services (300)	Actuals	OPBUD	Inc/Dec	Request	Change
1	Prescriptions	\$ 74,597.5	\$ 86,500.0	\$ 8,500.0	\$ 95,000.0	9.8%
2	Medical - Supplement/Self- Insured	\$ 142,655.3	\$ 155,447.1	\$ 15,552.9	\$ 171,000.0	10.0%
3	Medicare Advantage	\$ 12,948.0	\$ 18,000.0	\$ 3,000.0	\$ 21,000.0	16.7%
4	ACA Transitional Reinsurance Fee	\$ 1,148.4	\$ 814.0	\$ (151.0)	\$ 663.0	-18.6%
5	Voluntary Coverages	\$ 29,286.5	\$ 32,810.0	\$ 2,700.0	\$ 35,510.0	8.2%
6	Total Contractual Services	\$ 260,635.7	\$ 293,571.1	\$ 29,601.9	\$ 323,173.0	10.1%
	Other (400)					
7	PCORI Fee	\$ 36.5	\$ 40.0	\$ 8.0	\$ 48.0	20.0%
8	Total Other	\$ 36.5	\$ 40.0	\$ 8.0	\$ 48.0	20.0%
	Other Financing Uses (500)					
9	Program Support	\$ 2,929.3	\$ 3,012.9	\$ 219.7	\$ 3,232.6	7.3%
10	Total Other Financing Uses	\$ 2,929.3	\$ 3,012.9	\$ 219.7	\$ 3,232.6	7.3%
11	Total Expenditures	\$ 263,601.5	\$ 296,624.0	\$ 29,829.6	\$ 326,453.6	10.1%

Overall, FY17 projected costs are expected to reach \$326.5 million, a 10.1 percent increase above FY16 approved operating levels. This assumes a 4 percent growth in membership (retirees joining the plan) medical inflation of 6 percent.

- The assumed rate of medical inflation is lower than our projected trend; however, it is reasonable to assume that retirees will continue to select lower costing plans when joining the program and aging into Medicare (Premier vs. Premier Plus and Advantage Plans over the Supplement).
- Medicare Advantage Plans continue to offer an attractive option, however, significant rate increase continue to occur each year as the plans are subject to federal reimbursements and growth in prescription drug costs.
- Lastly, participation in the voluntary plans (retiree pay all) grew by over 10 percent between FY15 and FY16.

Program Support

Summary of Expenditures							
	Uses		FY15 Actuals	FY16 OPBUD	FY17 Inc/Dec	FY17 Request	Percent Change
1	200	Personal Services/ Employee Benefits	\$ 1,754.8	\$ 1,920.2	\$ 80.5	\$ 2,000.7	4.2%
2	300	Contractual Services	\$ 404.2	\$ 485.2	\$ 139.2	\$ 624.4	28.7%
3	400	Other Costs	\$ 538.0	\$ 607.5	\$ -	\$ 607.5	0.0%
4		TOTAL	\$ 2,697.0	\$ 3,012.9	\$ 219.7	\$ 3,232.6	7.3%
Summary of Revenues							
	Sources		FY15 Actuals	FY16 OPBUD	FY17 Inc/Dec	FY17 Request	Percent Change
5	112	Other Transfers	\$ 2,929.3	\$ 3,012.9	\$ 219.7	\$ 3,232.6	7.3%
6		Total	\$ 2,929.3	\$ 3,012.9	\$ 219.7	\$ 3,232.6	7.3%
7		FTE	26	26	2	28	7.7%

The FY17 appropriation request for Program Support reflects a \$220 thousand, or 7.7 percent increase above FY16 approved operating levels.

This includes a \$80 thousand and 2 FTE 'base increase' to the personal services and employee benefits category to accommodate increased workloads associated with growth in membership including: 2 – Customer Service Representatives.

The request includes a \$140 thousand increase in contractual services to support actuarial and accounting services related to reporting requirements contained in GASB Statements 74 and 75.

Lastly, the request for other costs is flat with FY16 approved operating levels.